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SUPERIOR COURT OF NEW JERSEY
MERCER COUNTY
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SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION, MERCER COUNTY
DOCKET NO.:

MER-C-86-04

HOLLY C. BAKKE,
COMMISSIONER OF BANKING
AND INSURANCE, STATE OF
NEW JERSEY,

Plaintiff,

v.

MIIX INSURANCE COMPANY,
THE MIIX GROUP, INC.
and NEW JERSEY STATE
MEDICAL UNDERWRITERS, INC.,

Defendants.

Civil Action

ORDER TO SHOW CAUSE
WITH TEMPORARY RESTRAINTS
AND OTHER RELIEF

THIS matter having been opened to the Court by Peter C. Harvey, Attorney General of New Jersey, by James A. Carey, Jr., Deputy Attorney General, as attorney for plaintiff, Holly C. Bakke, Commissioner of the Department of Banking and Insurance of the State of New Jersey ("Commissioner"), upon a Verified Complaint for an Order directing defendants to appear and show cause why an Order should not be entered, pursuant to N.J.S.A. 17:30C-1 et seq.,

* This Order to Show Cause was entered after informal telephone conferences with counsel for the parties as to the form of the Order. *MB*

providing for the rehabilitation of MIIX Insurance Company ("MIIX Insurance") and the appointment of the Commissioner as Rehabilitator of MIIX Insurance and imposing injunctive relief pursuant to N.J.S.A. 17:30C-5; and the Court having considered the Verified Complaint and brief; and

IT FURTHER APPEARING that MIIX Insurance is in such financial condition that its further transaction of business will be hazardous to its policyholders, creditors and the public; and

IT FURTHER APPEARING MIIX Insurance is a New Jersey domiciled property and casualty insurer licensed to transact insurance business in New Jersey; and

IT FURTHER APPEARING that MIIX Insurance, MIIX Group, Inc., and New Jersey State Medical Underwriters, Inc., although independently chartered and incorporated, are affiliated companies that share a common management structure, which exercises management control over all the operations of the companies; that pursuant to a Management Services Agreement, New Jersey State Medical Underwriters, Inc. performs the claims administration services and other management services for MIIX Insurance; and

IT FURTHER APPEARING that MIIX Insurance does not have the capacity to perform its own claims administration or similar policyholder services, but rather relies on New Jersey State Medical Underwriters, Inc., to perform those functions; and

IT FURTHER APPEARING that as a result of the reliance of MIIX Insurance on the Management Services Agreement with New Jersey State Medical Underwriters, Inc., that contract must remain in force during the period between the filing of this Order to Show Cause and the entry of an Order of Rehabilitation;

IT IS on this 27th day of August, 2004;

ORDERED that:

(1) Defendants appear and show cause before the Honorable Neil H. Shuster, Presiding Judge, Chancery Division, Superior Court of New Jersey, 210 S. Broad Street, Trenton, New Jersey on TUESDAY 28, 2004, at 1:30 PM ~~9:00 a.m.~~ or as soon thereafter as counsel may be heard, why an Order should not be entered:

(a) Declaring that MIIX Insurance is in a hazardous financial condition such that further operation would be hazardous to its policyholders, creditors and the public;

(b) Appointing the Commissioner as Rehabilitator of MIIX Insurance with all the powers and authority expressed or implied by N.J.S.A. 17:30C-1, et seq., and the implementing regulations for these statutes, and vesting her with immediate and exclusive possession and control of, and title to, the business of MIIX Insurance and all books, records, files, equipment, computer hardware and software, assets and property of MIIX Insurance, whether real or personal, wherever such materials may be located,

* MAILING ADDRESS: P.O. Box 8068,
Trenton NJ 08650. MD

including but not limited to bank accounts, certificates of deposit, bonds, securities or other financial instruments of MIIX Insurance wherever located or situated;

(c) Directing the Rehabilitator to take immediate and exclusive possession of the business and property of MIIX Insurance and to exercise full and exclusive authority over the business and affairs thereof, and to take the steps necessary to remove the causes and conditions which have made rehabilitation necessary;

(d) Granting the Rehabilitator such other injunctive and equitable relief as may be necessary to protect the policyholders and creditors of MIIX Insurance as well as the general public from the effects of MIIX Insurance's hazardous financial condition.

(2) Effective immediately upon entry of the within Order to Show Cause and pursuant to N.J.S.A. 17:30C-5, all persons, corporations, partnerships, associations, governmental entities, and all other entities of any nature wherever situated, including but not limited to those not within the jurisdiction of the Commissioner, and MIIX Insurance, its directors, officers, trustees, agents, employees, representatives and claimants, and creditors thereof, are hereby enjoined and restrained from:

(a) Commencing or filing any action at law or equity, or any special proceeding or any other proceeding of any nature against MIIX Insurance or its direct insurance

subsidiaries, without leave of the Commissioner or this Court;

(b) Taking any action in violation of the following administrative order which remains in full force and effect; Order No.C03-103, dated May 1, 2003;

(c) Wasting, transferring, selling, concealing, destroying, disbursing, disposing of, assigning, or interfering with, any assets, contracts, causes of action, funds, or other property of any nature of MIIX Insurance, except as otherwise provided in this Order;

(d) Except as otherwise provided herein, terminating or canceling without leave of Court, any reinsurance agreement (or making any additional premium charge to MIIX Insurance thereunder) or any lease, contract, license or other arrangement with MIIX Insurance for the provision or supply of any office space, supplies, or equipment, including but not limited to, computer hardware and/or software or any other services or materials or equipment of any nature that are required to operate the business of MIIX Insurance.

(3) All secured creditors or parties, lien holders, collateral holders or other persons claiming a secured, priority or preferred interest in any property or assets of MIIX Insurance are hereby enjoined and restrained from taking any steps whatsoever to transfer, sell, encumber, attach, dispose of, or exercise purported rights in or against, any property or assets of MIIX Insurance or its direct subsidiaries.

(4) Effective immediately upon execution of this Order to Show Cause, no bank, savings and loan association or other

financial institution, or any other entity of any nature holding property, assets, funds or accounts of, for, or on behalf of, MIIX Insurance, including any member, provider, subscriber, or creditor of MIIX Insurance, shall exercise any form of set-off, alleged set-off lien, or any form of self-help whatsoever with respect to said property, assets, funds or accounts without the prior approval of the Court.

(5) Effective immediately upon execution of this Order to Show Cause, the officers, directors, trustees, agents, representatives and employees of MIIX Insurance, and, if appropriate, any entity that contracts with such party shall permit the Commissioner, her staff or designees to have access to any and all premises, and if requested, copies of all or parts of any and all accounts, records and files, relating to the operation of MIIX Insurance.

(6) Effective immediately and pending the return date of this Order to Show Cause, MIIX Group, Inc., and New Jersey State Medical Underwriters, Inc., shall continue to provide all administrative, underwriting, claims and policyholder services, continue to perform all computer/database related services and continue to provide access to computer hardware and software, to MIIX Insurance pursuant to the Management Services Agreement between MIIX Insurance and New Jersey State Medical Underwriters, Inc., and any other agreements; MIIX Insurance shall continue to

make regular payments to New Jersey State Medical Underwriters, Inc., at the rate of payment and as provided by the Management Services Agreement.

(7) Effective immediately and pending the return date of this Order to Show Cause, defendants shall not declare, issue or distribute dividends or otherwise transfer assets from MIIX Insurance to MIIX Group, Inc., any shareholder, or any other person, corporation or entity, other than payments made in the ordinary course of business.

(8) If any party intends to file answering affidavits or briefs or seek other relief in the present matter, such papers shall be filed with the Court and served upon Deputy Attorney General James A. Carey, Jr., attorney for plaintiff, ^{on or before} ~~at least~~

^{SEPTEMBER 14, 2004}

~~days before the return date of this Order to Show Cause and~~

^{on or before SEPTEMBER 17, 2004}
~~plaintiffs may file reply papers, at least — day(s) before the~~

~~return date of this Order to Show Cause, and if defendants fail to serve their answer upon the Attorney General, judgment by default may be rendered against them for the relief demanded in the verified complaint.~~

(9) The above restraints shall continue until further order of this Court. Defendants are hereby given leave to move for dissolution or modification of the said restraints or any of them on — days notice to the plaintiff.

It is further ORDERED that a copy of this Order to Show Cause, the Verified Complaint, and memorandum of law be served upon the defendants within 2 days of the date hereof, said service to be made by certified mail, return receipt requested, and by regular mail, or by personal service, either of which means of service shall be deemed sufficient service of process upon the defendants.

NOTICE OF ORDER

1. Service of a true conformed copy of this Order to Show Cause, and Brief, filed herewith, shall be served by first class mail upon any guaranty association which is or may become obligated in the event MIIX Insurance is later liquidated, on or before September 3, 2004.

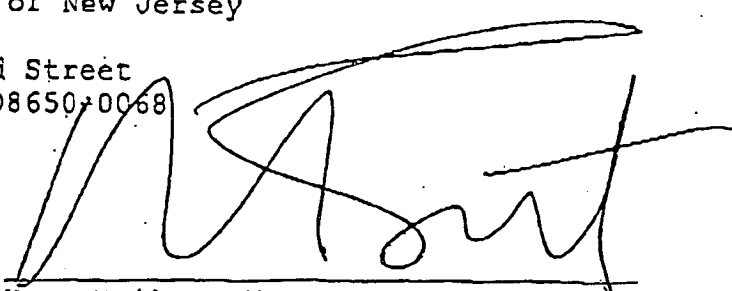
2. Notice of this application to any other interested parties shall be accomplished by publishing a copy of the Notice in a newspaper of general circulation in the county within which MIIX Insurance's corporate offices are located, specifically, The Trenton Times, The Wall Street Journal, The Newark Star Ledger, and The New Jersey Law Journal on or before September 3, 2004; and that such Notice shall constitute good and sufficient notice of this application to all persons having an interest in or claim against MIIX Insurance subject to the requirements of due process of law.

3. A copy of the proposed Order for Rehabilitation, filed herewith, shall remain available for public inspection during regular business hours for at least 10 days prior to the return date of the Order To Show Cause at the following locations:

(a) MIIX Insurance Company
2 Princess Road
Lawrenceville, N.J. 08648

(b) New Jersey Department of Banking and Insurance
Office of Solvency Regulation
20 West State Street, 8th Floor
Trenton, N.J. 08625

(c) Superior Court of New Jersey
Mercer County
210 South Broad Street
Trenton, N.J. 08650-0068



Hon. Neil H. Shuster, P.J. Ch. Div.